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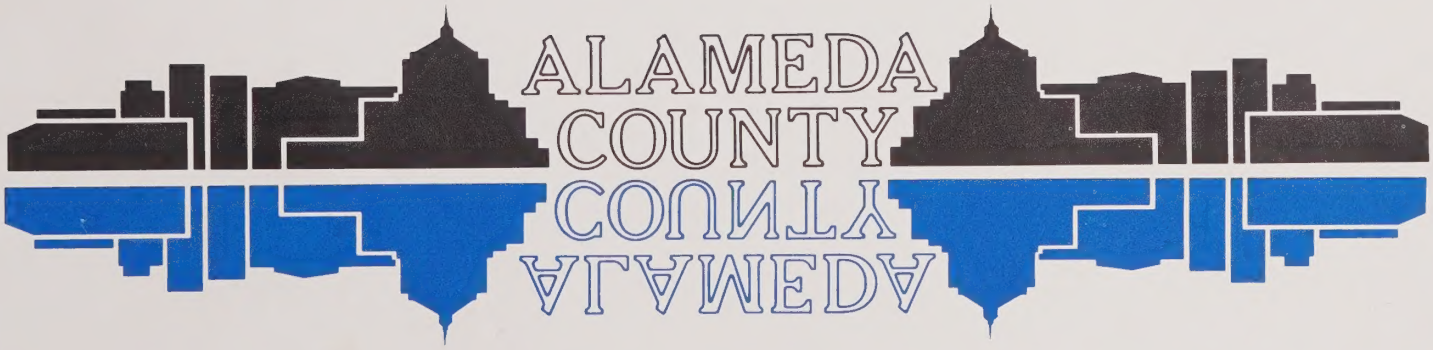
1978-1979
Financial overview

FINANCIAL OVERVIEW
1978-1979

INSTITUTE OF GOVERNMENTAL STUDIES
SEP 8 1980
UNIVERSITY OF CALIFORNIA



Left to right, JOSEPH P. BORT, Fourth District; VALERIE A. RAYMOND, First District; CHARLES SANTANA, Chairman, Second District; JOHN GEORGE, Fifth District; and FRED F. COOPER, Third District.

THE ALAMEDA COUNTY FINANCIAL OVERVIEW

1978-1979

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Presented to the Alameda
County Board of Supervisors

Charles Santana, CHAIRMAN
2nd District

Valerie A. Raymond
1st District

Joseph P. Bort
4th District

Fred F. Cooper
3rd District

John George
5th District

by the Office of the County Administrator
May 2, 1978

OFFICE OF THE
COUNTY ADMINISTRATOR

May 2, 1978

The Honorable Board of Supervisors
County of Alameda
536 Administration Building
Oakland, California 94612

Dear Board Members:

Proposed Budget for 1978-79

The 1978-79 General Fund Proposed Budget for Alameda County of $402,105,875 has been prepared in accord with the directives of your Board.

The proposed fiscal programs can be funded from increased revenues and anticipated year-end balances with an increase in the tax levy of 3.3% and a decrease in the tax rate of 31¢. In addition to a decrease in the tax rate, from $3.07 to $2.76, the approval of Proposition 8 would provide a further reduction of 30% in property taxes on owner-occupied dwellings.

In summary, the bottom lines of the proposed General Fund shows:

	Millions	Percent
• Appropriations up (from $363.0 to $402.1)	$39.1	10.8
• Revenue up (from $193.1 to $223.7)	30.6	15.8
• Cash carryover up (from $13.2 to $16.6)	3.4	26.0
• Tax levy up (from $156.8 to $161.9)	$ 5.1	3.3
• Tax rate down (from $3.07 to $2.76)	31¢	10.1

The Proposed Budget meets your Board's policy of limiting the tax levy to an increase of 5% and can be financed within the limits of SB 1 (Behr)/Proposition 8.

The budget, as submitted, represents a responsible fiscal program that meets the essential needs of the people of Alameda County. Its total increase is less than the annual increase in the rate of inflation. In the event that Proposition 13

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wins on June 6, contingency plans now being developed will be available for implementation in the 24 days prior to the July 1 effective date. The devastating effect caused by a 70% cut in property taxes has already been outlined to your Board.

In prior years, there have always been many unknowns and considerable use of projections and assumptions that enabled this office, with the assistance of the Auditor-Controller, to project a tax rate based upon the recommended fiscal program for the forthcoming year. Even with the factors that are known concerning the Behr statute and the potential effect of Proposition 8, all projections with respect to tax rates must be used with considerable reservation and with the anticipation that seeing in print a projected tax rate does not assure that the rate set in early September will be the same as is projected in May.

Among the unknown factors that could affect the final outcome of the budget, the tax levy and the tax rate are the following:

- Property Tax Relief--Propositions 8 and 13

  — If Proposition 13 becomes law, the budget must be completely reworked to provide for a 70% decrease in income from property taxes. State assistance in some form would be essential, but the amount and timing are unknown.

  — If Proposition 8 becomes law, triggering SB 1 (Behr), the unknowns will be: the exact amount of the Gross National Product Deflator for State and local government costs (assumed to be 6.25%), the amount of new construction (assumed to be $83 million), and the precise effect on the tax rate structure of the two-tier assessment roll and the State buyout of Aid to Families with Dependent Children program, Medi-Cal and Adult Aids. It is our current estimate that the combined effect of the deflator factor and the added value of new construction would permit an increased tax levy of 7.4%, more than double the increase proposed.

- Anti-Recession Funds

  The proposed budget assumes a phaseout of Anti-Recession funds after the first quarter because the Congress has not approved a continuation of the program. This resulted in a decrease of $5.2 million in our 1978-79 revenue. It is not known what the Administration and the Congress will do in this area.

- Policy Matters and Points of Issue

  Your Board will be holding hearings and making decisions on the following:

Policy Matters (20)	- funds included	$8.9 Million
Points of Issue (65)	- funds not included	9.0 Million

  The potential to increase the proposed budget is just about balanced by the potential to cut it. Your Board also has the option to add or delete other items than those identified by this office.

- Cash Balance and Rebudgeted Items

  The General Fund cash balance has been estimated at $16.6 million, an increase of $3.4 million. This estimate was made shortly after the position freeze was imposed, so there was little experience on which to base an estimate of savings from that source. As is always true, there may be some variation in the final calculation of cash balances after all the books are closed at the end of the fiscal year.

- Revenue Estimates

  It is difficult to predict revenues in March and April, some of which will not materialize until a year in the future. Estimates will be reviewed as necessary and final estimates established in August before the tax rate is set.

As your Board reviews the content of this Message and the details of the departmental analyses, the following topics are important:

- Board of Supervisors' Directive

  Many of the budget requests were prepared and submitted in accord with the Board's policy that the tax levy requirements not exceed an increase of 5%. Other requests were submitted on the basis of perceived needs, giving limited consideration to the policy. To the credit of all department heads, however, there was a willingness to work with this office in applying the policy even when there were differences concerning the impact upon the delivery of public services. Where such differences exist, the issues have been identified for your Board's decisions.

  Compliance with your directive was most difficult in three areas: 1) requiring that increased workloads be absorbed by existing positions; 2) reducing the County's fiscal commitment to partnership programs where we exceed the minimum level of participation; and 3) initiating new mandated activities by either curtailing or eliminating existing services. The difficulty of complying with your guideline is apparent in the number of issues.

  While these issues are important to the initiating department, in my opinion, there is justification to deny the funding in the forthcoming fiscal year.

- Effects of Implementing Board's Directive

  Although the total recommended gross appropriation for the General Fund of $402,105,875 represents an increase of $39 million, or 10.8%, over 1977-78, favorable trends in revenues have held the increase in tax levy to $5.1 million, up 3.3%. Projected revenues from all sources are up $30.6 million, or 15.8%.

  On the negative side of the revenue picture is the recent decline in Federal Anti-Recession funds and the failure of Congress to renew the program after

October 1, 1978. The reduction of $4,847,620 impacts directly on the tax levy since $5,248,000 was used in 1977-78 to offset operating costs. Without the loss of Anti-Recession money, the tax levy would have increased only $300,000, or 0.2%.

To stay within the policies of the Board, each departmental budget was analyzed and the outcome discussed in detail with representatives of the department. The result of this effort was a reduction of $19.6 million from the initial requests. While your Board will be addressing an unusually large number of issues, in my opinion, any exceptions that you make to your policy should be funded by reductions in the allocations in capital projects, the discretionary use of funds that have been tentatively allocated as reserves, or the reduction of other programs, including those identified as Policy Matters.

The recommended reserves are slightly over $19 million. In addition to a contingency that is appropriate for unforeseen requirements, the reserves provide for anticipated adjustments in salaries and benefits, including contributions to the retirement system which will only be defined after the completion of the actuarial study in 30 days.

- Policies and Issues

Over 65 items, totaling nearly $9 million, are defined as issues in the Budget Message and in the Departmental Budget Reports for 1978-79. These issues range from the salary of a clerk to a $3.9 million item involving the level of development funding in the Information Services Department (Data Processing).

In my opinion, these requests can be denied without seriously affecting services. With the denial of these requests, we have the ability to maintain services compatible with the intent of the Behr statute and avoid the irresponsibility that would result from Proposition 13.

There are 22 policy items, totaling nearly $9 million. Funds for these items have been included in the recommended budget, although in several instances they exceed on an individual budget basis the 5% increase in the tax levy.

The most significant policy items relate to the continuation of exceeding partnership-matching levels to programs that deserve further review and analysis during the next fiscal year. Your Board may conclude that the funds included for some policy items should more appropriately be used for unfunded issue items. Such a decision could be made without changing the requirements on the tax levy.

- Format of Budget Materials

The Budget Message is a summary of major programs, which incorporates all components of a program. It provides a perspective that is not found by reviewing some 185 individual budget reports. For example, social services consumed 43% of the total recommended appropriation, contrasted with 22% being

required for law and justice activities. Relating these same functions to the tax levy, however, social services consumes 23%, while law and justice now requires 40% of the total levy.

The Departmental Budget Report for 1978-79 is published as a separate volume. It gives a summary of the recommendations, department by department and account by account. These reports, while a supplement to the Message, are essential for a complete understanding of the recommended budget.

It is suggested that the Summary Tables, following each major program discussion in this Budget Message, be used as a reference to identify the pages in the Departmental Budget Report where additional information is available on the particular function or activity. Furthermore, if there is a need, budget folders are available in this office for the specific details of the requests and recommendations.

- Hearings

Under the provisions of the Administrative Code, the Budget Message is to be submitted to your Board on or before the second Tuesday in May. There is the further provision that the Board hold departmental hearings in early May.

In previous years, the Board has held departmental hearings concurrently with the public hearings, starting in mid June. Because of the number of policies and issues that are being presented to your Board and the possibility that there will be increased public interest in the proposed budgetary program, it is suggested that department hearings be scheduled separately in May.

APPRECIATION

While the signature of one person appears in this letter, the Proposed Budget for 1978-79 represents the labor of many people. From initiating departments, through the Auditor-Controller's Office, through the analytical process of this office and, finally, the printing by the Reprographics Unit, hundreds of dedicated people are involved. To each, my thanks.

RECOMMENDATIONS

In compliance with the provisions of the Administrative Code and with the intent of providing as much time as possible for full consideration of the 1978-79 Proposed Budget, it is recommended:

1. That the 1978-79 Proposed Budget be adopted as submitted, with the understanding that adjustments may be made as your Board decides after the departmental and public hearings;

2. That the Auditor-Controller be authorized to publish the Proposed Budget, with copies to be available at least ten days prior to the start of the public hearings;

3. That the departmental hearings be scheduled to start on May 16, 1978, and be completed prior to the public hearings; and

4. That the public hearings be scheduled to start on June 13, 1978, and conclude within ten days, as required by State statute.

Very truly yours,

Loren W. Enoch
County Administrator

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1978-79 RECOMMENDED BUDGET
COUNTYWIDE FUNDS

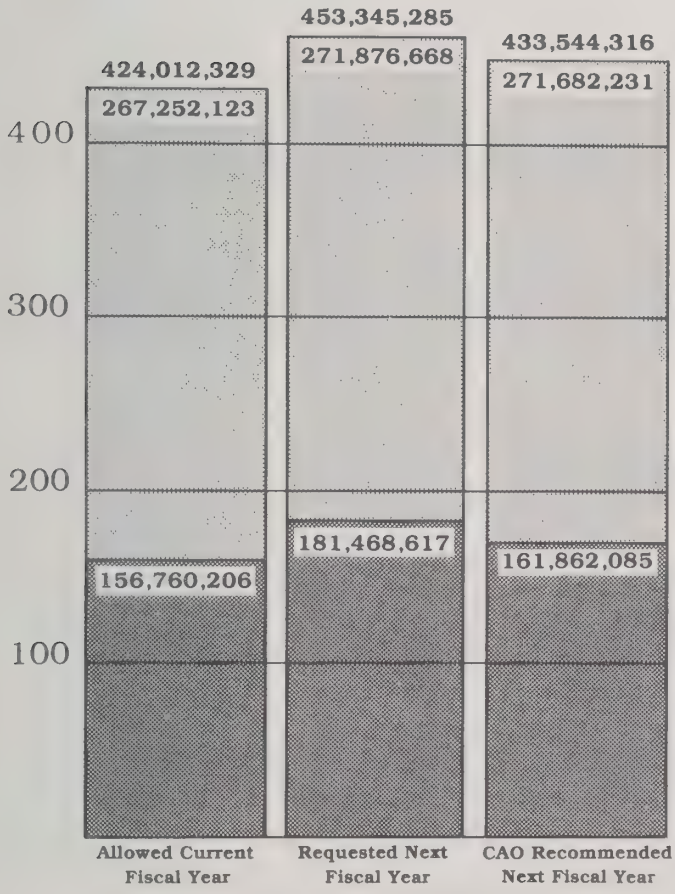
	1977-78 Allowed	1978-79 Requested	1978-79 Recommended	Increase/ (Decrease)	Percent Change
General Fund	$363,010,526	$421,972,729	$402,105,875	$ 39,095,349	10.8
Revenue	-193,094,734	-223,935,701	-223,669,474	-30,574,740	15.8
Fund Balance	-13,155,586	-16,574,316	-16,574,316	-3,418,730	26.0
Net	$156,760,206	$181,462,712	$161,862,085	$ 5,101,879	3.3
Budgeted Positions	8,606.94	9,155.04	8,619.47	12.53	0.1
Road Fund	$ 13,490,839	$ 12,325,068	$ 12,396,858	$ (1,093,981)	(8.1)
Revenue	-10,782,131	-10,500,200	-10,473,800	-(308,331)	(2.9)
Fund Balance	-2,708,708	-1,824,868	-1,923,058	-(785,650)	(7.8)
Net	$ 0	$ 0	$ 0	$ 0	0
Budgeted Positions	209.25	209.25	202.25	(7.0)	(3.3)
General Revenue Sharing Fund	$ 18,392,053	$ 17,172,041	$ 17,172,041	$ (1,220,012)	(6.7)
Revenue	-12,104,395	-12,292,726	-12,292,726	-188,331	1.6
Fund Balance	-6,287,658	-4,879,315	-4,879,315	- (1,408,343)	(22.4)
Net	$ 0	$ 0	$ 0	$ 0	0
Budgeted Positions	18.00	17.00	17.00	(1.00)	(5.6)
Anti-Recession	$ 6,142,020	$ 406,224	$ 406,224	$ (5,735,776)	(93.4)
Revenue	-5,591,932	-400,000	-400,000	-(5,191,932)	(92.9)
Fund Balance	-550,088	-6,244	-6,244	-(543,844)	(98.9)
Net	$ 0	$ 0	$ 0	$ 0	0
Accumulative Capital Outlay	$ 22,967,771	$ 1,456,598	$ 1,456,598	$ (21,511,173)	(93.7)
Fund Balance	-22,967,771	-1,456,598	-1,456,598	-(21,511,173)	(93.7)
Net	$ 0	$ 0	$ 0	$ 0	0
Fish and Game Fund	$ 9,120	$ 12,605	$ 6,700	$ (2,420)	(26.5)
Revenue	-5,000	-6,700	-6,700	-1,700	34.0
Fund Balance	-4,120	-5,905	0	-(4,120)	100.0
Net	$ 0	$ 0	$ 0	$ 0	0
Total Appropriation	$424,012,329	$453,345,285	$433,544,316	$ 9,531,987	2.2
Revenue	-221,578,192	-247,135,327	-246,842,700	-25,264,508	11.4
Beginning Balance and Rebudgeted Items	-45,673,931	-24,741,341	-24,839,531	-(20,834,400)	(45.6)
Net Tax Levy	156,760,206	181,468,617	161,862,085	5,101,879	3.3
Tax Rate Estimate	$ 3.07	$ 3.13	$ 2.76	$ (.031)	(10.1)
Net Budgeted Positions	8,834.19	9,381.29	8,838.72	4.53	0.1
Intragovernmental Service Funds	$ 27,887,793	$ 29,951,785	$ 30,728,697	$ 2,840,904	10.2
Revenue	-27,887,798	-29,954,097	-30,635,407	-2,747,614	9.9
Net	$ 0	$ (2,312)	$ 93,290	$ 93,290	100.0
Equipment	$ 1,175,619	$ 1,162,031	$ 1,079,532	(96,087)	(8.2)
Budgeted Positions	557.47	580.17	562.12	4.65	0.8
Enterprise Funds	$ 49,746,304	$ 57,207,611	$ 56,086.118	$ 6,339,814	12.7
Revenue	-49,746,304	-57,207,611	-56,086,118	-6,339,814	12.7
Net	$ 0	$ 0	$ 0	$ 0	0
Budgeted Positions	1773.57	1841.80	1832.10	58.53	3.3
Total County-Wide Budgeted Positions	9,391.66	9,961.46	9,400.84	9.18	0.1
Less-Than-County-Wide Budgeted Positions*	512.97	529.08	519.52	6.55	1.3
Total Budgeted Positions	9,904.63	10,490.54	9,920.36	15.73	0.2

*Flood Control, Library, Castro Valley Fire, Eden Consolidated Fire

1978-79 RECOMMENDED BUDGET
COUNTYWIDE FUNDS

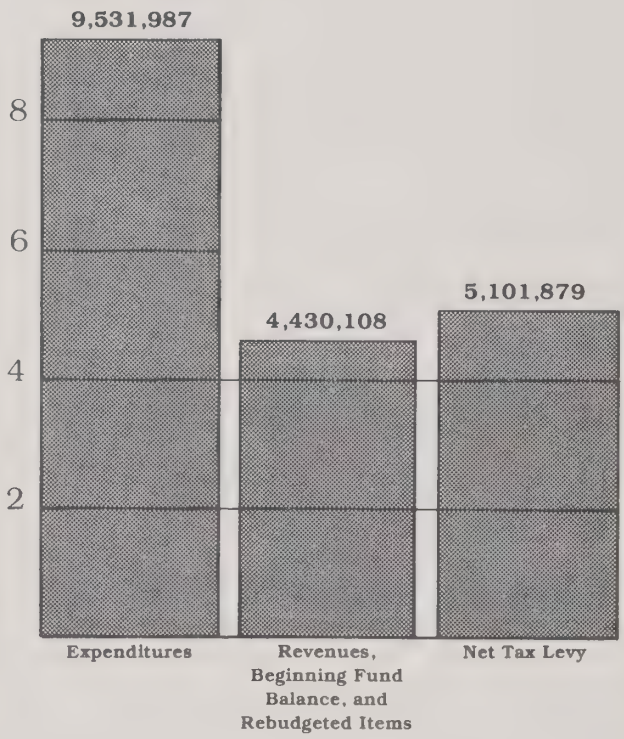
Total Program Expenditures, Revenue and Fund Balance-Net County Tax Levy

in millions of dollars



Change from Current Year

in millions of dollars



revenue, beginning fund balance, and rebudgeted item net tax levy

Budgeted Positions

in work years

Allowed 1977-78	Requested 1978-79	Recommended 1978-79	Increase/ (Decrease)	Percent Change
8,834.19	9,381.29	8,838.72	4.53	0.1

COUNTYWIDE FUNDS
Financial Summary

	1977-78 Allowed	1978-79 Requested	1978-79 Recommended	Increase/ (Decrease)	Percent Change
Appropriation	$424,012,329	$453,345,285	$433,544,316	$ 9,531,987	2.2
Revenue	-221,578,192	-247,135,327	-246,842,700	-25,264,508	11.4
Beginning Balance and Rebudgeted Items	-45,673,931	-24,741,341	-24,839,531	-(20,834,400)	(45.6)
Net Tax Levy	$156,760,206	$181,468,617	$161,862,085	$ 5,101,879	3.3
Budgeted Positions	8,834.19	9,381.29	8,838.72	4.53	0.05

The total Countywide budget requirement is $433,544,316, an increase of $9,531,987, or 2.2% from 1977-78. This increase in requirements is partly offset by an increase in revenue and a decrease in cash carryover netting to an increase in financing of $4,430,108 and thus resulting in an increased tax levy of $5,101,879, or 3.3%.

The figures shown above are a composite of all the funds that finance Countywide services. These funds are shown in the table on page 7 and include the General Fund, Road Fund, Revenue Sharing Fund, Anti-Recession Fund, Accumulative Capital Outlay Fund and the Fish and Game Fund.

As can be seen from the table, the General Fund is the only one that requires a tax levy. All of the others are financed completely by non-property tax revenue or by cash carryover. These funds are discussed in more detail in subsequent sections of this message.

COUNTYWIDE FUNDS — PORTION OF TOTAL REVENUE BY SOURCE

Current Property Taxes
$161,862,085
37.3%

Aid from Government Agencies
$195,151,655
45.0%

Licenses and Permits
$1,001,925
0.2%

Other Revenue
$7,008,598
1.6%

Charges for Current Services
$18,780,585
4.4%

Beginning Balance and Rebudgeted Items
$24,839,531
5.7%

Taxes other than Current
$11,700,600
2.7%

Use of Money or Property
$8,602,850
2.0%

Fines, Forfeitures, and Penalties
$4,596,487
1.1%

Total
$433,544,316
100%

ROAD FUND (See page 822)

The Road Fund finances the operations of the Road Department which is part of the Public Works Agency and is responsible for all repair, maintenance, construction and improvement of the County road system, encompassing 545 miles of roads. Additionally, the Road Department operates five drawbridges spanning the Alameda Estuary. The Road Fund derives its revenue from the State tax on gasoline, traffic fines and forfeitures, grants and subventions from the State and Federal sources, and revenue received from cities as the local share of joint road construction projects.

Decreasing revenues from State and Federal gas tax revenues have curtailed the County's road contruction program.

GENERAL REVENUE SHARING FUND (See page 701)

General Revenue Sharing funds are allocated to the County by the Federal Government. The amount allocated is based on the County's tax effort and aggregated per capita income. The purpose of the Act is to return Federal Income Tax funds to local jurisdictions to ease fiscal problems, equalize fiscal conditions between rich and poor localities, and to decentralize government and return taxation control and expenditures to local governments. The current Federal Act and funds are available until September 30, 1980. The recommended appropriation of $17,172,041 represents four quarterly payments anticipated in 1978-79, earned interest, and the estimated fund balance from 1977-78. The recommended appropriation is a decrease of $1,220,041 from the amount approved for 1977-78. The decrease is a result of a decrease in the fund balance because expenditures exceeded revenue in 1977-78.

The recommended budget proposes to continue the use of $6.1 million for property tax reduction, $7,318,002 for community-based human services, $175,000 for an emergency fund, $2,966,834 for an unallocated reserve, and $612,205 for Financial Administration.

ANTI-RECESSION FUND (See page 701)

The Anti-Recession Act of 1973 ends September 30, 1978. The County will only receive one quarterly payment in 1978-79 from current legislation. Anti-Recession funds are allocated to the County by the Federal Government to help the County avoid recession-related layoffs of public employees. The amount received by the County is determined by the County's General Revenue Sharing payment and its unemployment factor in relation to all other jurisdictions. Anti-Recession payments are discontinued when the National unemployment rate drops below 6.0 percent. The National unemployment rate for March 1978 was 6.2 percent, as compared to 7.3 percent in March 1977. Thus, the anticipated payment for the last quarter of current legislation is dramatically reduced from the amount received in July 1977. The recommended decrease of $5,735,776, from $6,142,020 to $406,244, is a result of a reduction in the County's payment because of near normal unemployment and current legislation only allows for one more entitlement. It is not known at this time if Congress will renew the Act after September 30, 1978. The recommended appropriation of $406,244 will provide for the continuation of reducing the property tax rate required for Health Care Financing.

ACCUMULATIVE CAPITAL OUTLAY FUND (See page 601)

The Accumulative Capital Outlay (ACO) Fund was established to carry over funds for Capital Projects from one fiscal year to another. It is recommended that the $1,456,598 left in the current year be carried over to 1978-79.

The decrease of $21,511,173 from the current fiscal year was used to finance part of the Oakland Court and Pre-Trial Detention Facility.

FISH AND GAME FUND

Under the California Fish and Game Code, Alameda County receives one-half of all fines and forfeitures imposed or collected for violations of the Fish and Game Code which occur in the County. The funds must be expended for the propagation and conservation of fish or game within the County and for administration and enforcement of laws relating thereto.

It is estimated that $6,700 will be received in 1978-79. This money is being placed in the budget of Field Services to offset a portion of the salary of the local game warden.

This Fish and Game Fund is identified as a special fund within the County's budget to conform with State accounting requirements.

INTRAGOVERNMENTAL SERVICE FUNDS (See page 808)

IGS Funds have been established to provide an accounting mechanism to account for all of the costs of providing a specific service to County operating departments. Use of this device permits including costs of depreciation and overhead so that the total cost is reflected.

These costs are then charged back to the using department on a use basis. Thus, their costs are completely offset by revenue, and the cost of the service provided is reflected in each operating budget which uses the service. The details of these budgets are discussed in the "Special Funds and Districts" section of this Message.

SUMMARY

The net result of these various increases and decreases in programs and revenues is a net tax levy of $161.9 million, up $5 million, or 3.3% from 1977-78. The final balancing element in determining the tax rate is the assessed value.

The Assessor is currently estimating that assessed value in Alameda County will go up 15% in 1978-79. Because the tax levy requirements is up 3.3%, this will permit a significant reduction in the tax rate from $3.07 in 1977-78 to $2.76, a reduction of 31¢ or 10.1%

This budget is well within the limits imposed by Proposition 8/SB 1 (Behr) in the event that package goes into effect on July 1, 1978. The proposed budget could not be financed with the limited amount of property tax money that would be available in the event Proposition 13 goes into effect on July 1, 1978.

COUNTYWIDE FUNDS BY MAJOR OBJECT

	1977-78 Allowed	1978-79 Requested	1978-79 Recommended	Increase/ (Decrease)	Percent Change
Salaries and Employee Benefits	$134,580,567	$145,364,007	$135,717,289	$ 1,136,722	.8
Services and Supplies	$ 89,900,845	$101,863,311	$ 95,836,242	$ 5,935,397	6.6
Other Charges	$181,692,336	$193,986,908	$189,173,955	$ 7,481,619	4.1
Fixed Assets	$ 32,524,570	$ 12,935,219	$ 12,048,782	$ (20,475,788)	(63.0)
Expenditure Transfers and Reimbursements	$ -10,311,229	$ -13,880,916	$ -12,308,708	$ -1,997,479	19.4
Reserves	$ 6,979,104	$ 19,583,000	$ 19,583,000	$ 12,603,896	180.6
Subtotal	$435,366,193	$459,851,529	$440,050,560	$ 4,684,367	1.1
Less Revenue Sharing and Anti-Recession Funds	$ -11,353,864	$ -6,506,244	$ -6,506,244	$ -(4,847,620)	(42.7)
Total	$424,012,329	$453,345,285	$433,544,316	$ 9,531,987	2.2

1978-79 RECOMMENDED BUDGET
GENERAL FUND PROGRAM COMPARISON

	1977-78 Allowed	1978-79 Requested	1978-79 Recommended	Increase/ (Decrease)	Percent Change
General Administration	$ 28,243,349	$ 32,565,431	$ 30,492,402	$ 2,249,053	8.0
Revenue	-3,194,314	-5,464,780	-4,497,650	-1,303,336	40.8
Net	$ 25,049,035	$ 27,100,651	$ 25,994,752	$ 945,717	3.8
Budgeted Positions	913.92	961.49	935.38	21.46	2.3
Law & Justice	$ 87,568,639	$ 97,924,821	$ 89,841,963	$ 2,273,324	2.6
Revenue	-17,518,525	-17,045,757	-18,335,542	-817,017	4.7
Net	$ 70,050,114	$ 80,879,064	$ 71,506,421	$ 1,456,307	2.1
Budgeted Positions	2,931.16	3,146.84	2,887.70	(43.46)	(1.5)
Social Services	$160,162,460	$178,231,774	$174,203,453	$ 14,040,993	8.8
Revenue	-121,164,352	-135,144,800	-132,984,779	-11,820,427	9.8
Net	$ 38,998,108	$ 43,086,974	$ 41,218,674	$ 2,220,566	5.7
Budgeted Positions	1,916.88	2,089.72	1,887.16	(29.72)	(1.6)
Health Care Services*	$ 82,127,246	$ 90,790,031	$ 85,181,521	$ 3,054,275	3.7
Revenue	-21,607,539	-25,891,125	-26,342,038	-4,734,499	21.9
Net*	$ 60,519,707	$ 64,898,906	$ 58,839,483	$ (1,680,224)	(2.8)
Budgeted Positions	2,823.04	2,935.05	2,887.58	64.54	2.3
Education, Recreation and Miscellaneous	$ 815,894	$ 993,916	$ 919,780	$ 103,886	12.7
Revenue	-259,570	-337,436	-336,728	-77,158	29.7
Net	$ 556,324	$ 656,480	$ 583,052	$ 26,728	4.8
Budgeted Positions	21.94	21.94	21.65	(.29)	(1.3)
Capital Projects	$ 8,500,000	$ 8,940,000	$ 8,940,000	$ 440,000	5.2
Reserves	$ 6,946,802	$ 19,033,000	$ 19,033,000	$ 12,086,198	174.0
Non-Program Revenue	-29,350,434	-40,051,803	-41,172,737	-11,822,303	40.3
Revenue Sharing	-6,100,000	-6,100,000	-6,100,000	0	0
Anti-Recession	-5,253,864	-406,244	-406,244	-(4,847,620)	(92.3)
Total Appropriation	$363,010,526	$421,972,729	$402,105,875	$ 39,095,349	10.8
Revenue	-193,094,734	-223,935,701	-223,669,474	-30,574,740	15.8
Net	$169,915,792	$198,037,028	$178,436,401	$ 8,520,609	5.0
Less Beginning Balance and Rebudgeted Items	-13,155,586	-16,574,316	-16,574,316	-3,418,730	26.0
Net Tax Levy	$156,760,206	$181,462,712	$161,862,085	$ 5,101,879	3.3
Tax Rate	$ 3.07	$ ~~3.20~~ 3.13	$ ~~2.82~~ 2.76	~~(0.25)~~ (0.31)	~~(8.1)~~ (10.1)
Budgeted Positions	8,606.94	9,155.04	8,619.47	12.53	0.1

*Revenue Sharing Funds and Anti-Recession Funds are included in these figures.

	1977-78 Allowed	1978-79 Requested	1978-79 Recommended	Increase/ (Decrease)	Percent Change
Total Appropriation	$363,010,526	$421,972,729	$402,105,875	$39,095,349	10.8
Revenue	-193,094,734	-223,935,701	-223,669,474	-30,574,740	15.8
Net	$169,915,792	$198,037,028	$178,436,401	$ 8,520,609	5.0
Less Beginning Balance and Rebudgeted Items	-13,155,586	-16,574,316	-16,574,316	-3,418,730	26.0
Net Tax Levy	$156,760,206	$181,462,712	$161,862,085	$ 5,101,879	3.3
Tax Rate	$ 3.07	$ 3.13	$ 2.76	$ (0.31)	(10.1)
Budgeted Positions	8,606.94	9,155.04	8,619.47	12.53	0.1

GENERAL ADMINISTRATION

(See page 101)

The net County cost or property tax impact of this program will increase by $946,000, or 3.8%, from $25,049,000 to $25,995,000.

The most significant change has to do with establishment of a centralized account to finance data processing new development projects. An amount of $2,326,721 is included, which is offset with $838,613 revenue from the hospital Enterprise Funds for a net increase of $1,488,108. Salaries and benefits are up $659,000. This is due partly to 21 additional positions and partly to increased rates for retirement and Social Security. Unemployment Insurance benefits are budgeted for the first time for County employees for an increase of $496,000.

Offsetting those increases are decreases in the General Fund contribution to IGS Funds and Enterprise Funds. Also, charges for services to other departments are up $676,000 and various revenue sources will increase by $471,000. The end result is a recommended budget for public service programs which is well within the Board's growth policy limitation of 5%.

MAJOR PUBLIC SERVICE PROGRAMS

(See pages 201, 301, 401)

The County has direct financial and administrative responsibility for three major programs: Social Services, Health Care, and Law and Justice. The combined cost of these programs is $349.2 million, an increase of $19.4 million, or 5.9%. Offsetting revenue is up $17.4 million to $177.7 million. The net County cost is $171.6 million, or $2.0 million more than the 1977-78 figure, an increase of 1.2%. Budgeted positions are down 8.7, from 7,761.10 to 7,662.4.

The two features which bind these programs together are first, the direct delivery of a basic government service to the public and second, a continuous interaction among these programs because of a common client population.

In recent years, the County has placed greater emphasis on the coordination of activities between the three major public service programs. During this period, each program area has recognized the need for coordination and interaction to achieve the following objectives:

- Improve program service administration by fostering cooperation and ongoing working relationships.
- Improve the delivery of public services by enhancing the continuity of care and service between programs.
- Conserve the property tax investment in public service programs by eliminating duplication and isolation of services.

GENERAL FUND IMPACT

The County's financial and administrative activity is centered around the three major public service programs. These three programs represent $349 million or 86.8% of the County's total general fund budget of $402 million. The 7,662 budgeted positions represent 88.29% of the 8,619 total County budgeted positions.

The property tax impact of the three major public service programs is also significant. These programs represent $171 million or 81.9% of the County's total property tax excluding non-program, Revenue Sharing, and Anti-Recession revenues.

PUBLIC SERVICE PROGRAMS
5-YEAR GROWTH COMPARISON

	1974-75	1975-76	1976-77	1977-78	**1978-79**
Health Care					
Net County Cost	-1,474,333	+3,882,440	+1,464,281	+4,271,504	**-1,680,224**
% Change	-4.3	+11.1	+3.2	+8.7	**-2.8**
Social Services					
Net County Cost	+5,537,845	+4,370,148	-4,494,530	-732,455	**+2,220,566**
% Change	+21.1	+13.4	-10.7	-1.9	**+5.7**
Law and Justice					
Net County Cost	+7,903,252	+3,816,832	+5,907,751	+4,423,430	**+1,456,307**
% Change	+24.7	+8.3	+11.0	+7.0	**+2.1**
Total					
Net County Cost	+11,966,764	+12,069,420	+2,877,502	+7,962,479	**+1,996,649**
% Change	+13.0	+10.6	+2.0	+5.0	**+1.2**

PROGRAM GROWTH

A concerted effort has been made by the County Administrator, in cooperation with program managers, during the budget review process, to limit program growth and absorb workload increases within existing resources.

The end result is a recommended budget for public service programs which is well within the Board's growth policy limitation of 5%.

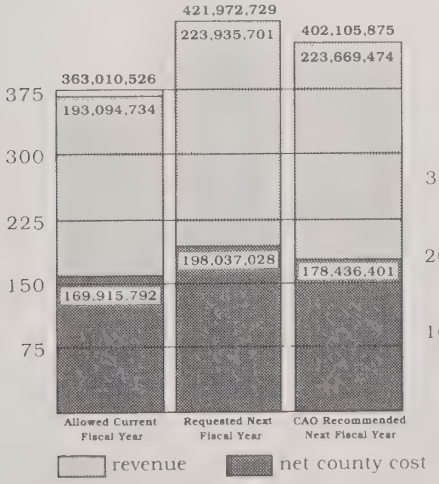
The total recommended cost of the three programs is recommended to increase $19.4 million, from $329.8 million to $349.2 million. This is an increase of 5.9%. As a result of significant increases in revenue of $17.4 million, from a base of $160.9 million, the net increase of these programs is $2.0 million, or 1.2%, increasing from $169.5 million to $171.5 million. The amount of the increase will be greater when salaries and benefit increases now included in the Salary Adjustment Reserve are transferred to these programs in the Final Budget.

The recommended increase in public service programs is the smallest cost and percentage increase in the last five years. The recommended increase compared to past years is shown on the table above.

1978-79
Recommended Budget
General Fund

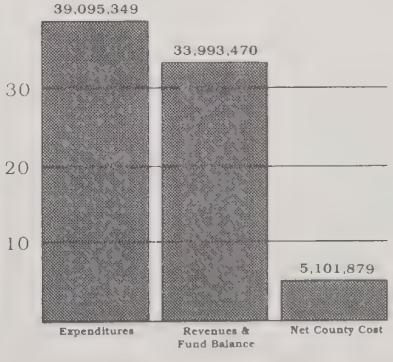
Total Program Expenditures, Revenue and Net County Cost

in millions of dollars



Change from Current Year

in millions of dollars



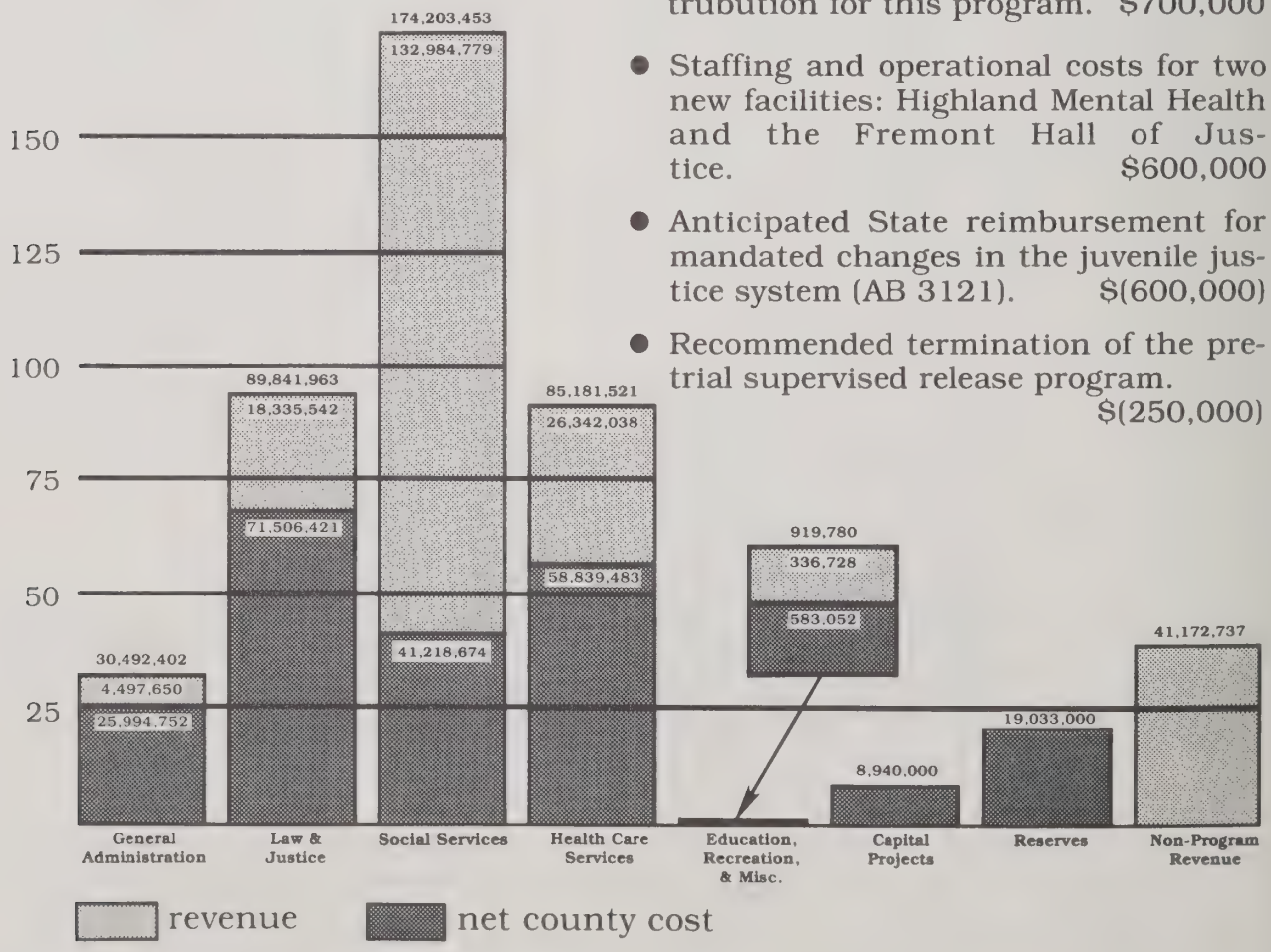
Budgeted Positions

in work years

Allowed 1977-78	Requested 1978-79	Recommended 1978-79	Increase/ (Decrease)	Percent Change
8,606.94	9,155.04	8,619.47	12.53	0.1

The $2 million increase recommended in public service programs is the result of increases and decreases within each of the three program areas.

1978-79 RECOMMENDED BUDGET GENERAL FUND PROGRAM COMPARISON



LAW AND JUSTICE

The net County cost of this program will increase by $1.5 million or 2.1% from the current-year base of $70 million to a recommended level of $71.5 million. This program continues to draw the largest program share of property tax expenditure. The gross cost of $89.8 million is offset by $18.3 million in program revenue and $71.5 million in property tax revenue. The property tax revenue represents 79.6% of the total program costs.

Major changes contributing to the increase in law and justice are as follows:

- Mid-year salary increases required by negotiated labor contracts and fringe benefit adjustments required by rate increases in FICA and retirement. $1,000,000.
- Discontinuation of the Deinstitutionalization of Status Offenders' grant will require an increase in the County contrubution for this program. $700,000
- Staffing and operational costs for two new facilities: Highland Mental Health and the Fremont Hall of Justice. $600,000
- Anticipated State reimbursement for mandated changes in the juvenile justice system (AB 3121). $(600,000)
- Recommended termination of the pretrial supervised release program. $(250,000)

HEALTH CARE SERVICES

The net County cost or property tax impact of this program will decrease $1.7 million from a current-year level of $60.5 million to a recommended level of $58.8 million. The $85.2 million gross cost of this program is financed by $26.3 million in service charges and Federal and State subvention and $58.8 million in property tax. The property tax contribution represents 69% of the gross cost of this program.

Major changes contributing to the decrease in this program are as follows:

- The General Fund contribution to the County hospitals will decrease by $3.3 million as a result of increased revenue collection efforts. ($3,300,000)
- The County's State-mandated property tax contribution to State's Medi-Cal program will increase from $21.0 million to $21.2 million. $1,200,000

SOCIAL SERVICES

The net county cost of this program is recommended to increase $2.2 million from an allowed of $39 million to a recommended level of $41.2 million. This program area has the highest level of Federal and State subvention. Only 23.7% or $41.2 million of the total gross cost of $174.2 million is financed from property tax revenue. The remaining financing is provided by the Federal and State Governments.

The major changes recommended are as follows:

- An increase in aid for families with dependent children cost based on current-year caseload experience. $1,800,000
- An increase in the average cost per case for placements made in Boarding Homes and Institutions and decreased State & Federal support. $900,000
- A decrease in the cost of the Family Support Division based on a current-year reorganization and the resulting increase in the County's collection effort. $(325,000)

CAPITAL PROJECTS

(SEE PAGE 601)

The recommended Capital Projects budget of $8,940,000 accounts for 5.2% of the tax levy. While the recommended budget shows an increase of $440,000 over last year's allocation of $8,500,000, this actually is a transfer of expenditures from other General Fund departments and represents no increase in the tax levy.

Any decrease in the recommended Capital Projects budget would necessitate the elimination or postponement of recommended Capital Projects. Any delay in the construction of a facility can be expected to substantially increase the cost of a facility to taxpayers. A facility constructed at the end of the County's five-year plan is estimated to cost 69% more than at the beginning of the plan, assuming continuation of the 11% inflation factor that has prevailed for the last three years.

RESERVES

(SEE PAGE 123)

The reserves for 1978-79 are recommended at $19.0 million, an increase of $12.1 million. Included are funds for fire insurance reserves, retirement reserves, dental/health reserves, social security contribution reserves, and salary/employee benefit reserves to cover anticipated increases from labor negotiations this spring. Funds for salary and employee benefit increases will be transferred to departmental budgets during final budget adjustments.

BEGINNING BALANCE AND REBUDGETED ITEMS

The cash balance estimated to be available is $16.6 million, an increase of approximately $3.4 million or 26.0 percent from the $13.2 million available at the beginning of 1977-78. The increase in the cash balance will help finance the 1978-79 budget, and is helping reduce the estimated tax rate and burden on property taxpayers.

NON-PROGRAM REVENUE

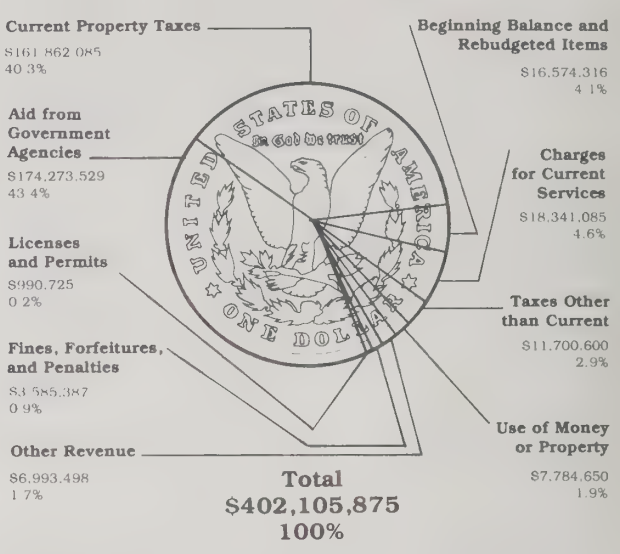
Revenue not attributable to any specific program will amount to $41.2 million, an increase of $11.8 million or 40.3 percent above the current level of $29.4 million. The biggest increase is $4.8 million in Public Works Employment-Title I funds for capital construction.

This is revenue that was anticipated in 1977-78 for construction of the Oakland Court and Pre-Trial Detention Facility but which will not actually be received until 1978-79. Other significant increases include $1.5 million in motor vehicle in-lieu taxes, $1.4 million in Federal fiscal relief for local government AFDC Welfare costs, $1.3 million in sales and use taxes, and $802,000, the interest earned on funds invested.

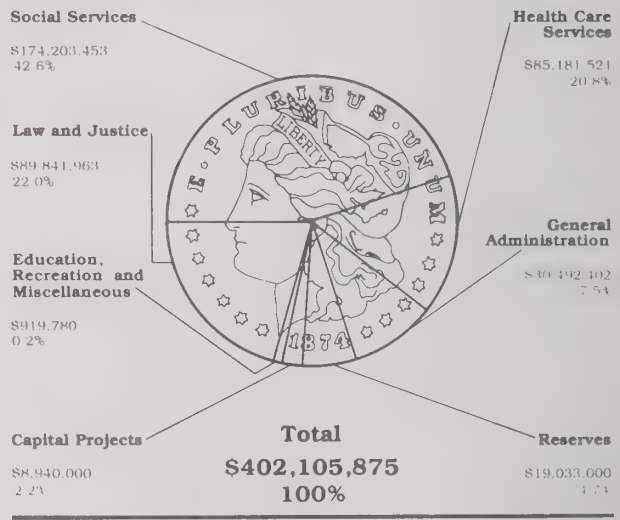
SUMMARY

The net result of these various increases and decreases in appropriations and revenues is a net tax levy of $161.9 million, up to $5.1 million from 1977-78, and increase of 3.3%. With assessed value estimated to go up approximately 15%, there will be a significant decrease in the tax rate from $3.07 to $2.76, a reduction of 31¢.

GENERAL FUND
PORTION OF TOTAL REVENUE BY SOURCE



GENERAL FUND
PROGRAM COMPARISON



GENERAL FUND BY MAJOR OBJECT

	1977-78 Allowed	1978-79 Requested	1978-79 Recommended	Increase/ (Decrease)	Percent Change
Salaries and Employee Benefits	$129,811,962	$140,578,716	$131,036,454	$ 1,224,492	0.9
Services and Supplies	70,681,230	86,957,442	80,760,032	10,078,802	14.3
Other Charges	167,050,446	184,276,532	179,463,579	12,413,133	7.4
Fixed Assets	9,377,714	11,236,419	10,349,982	972,268	10.4
Expenditure Transfers and Reimbursements	-9,503,764	-13,603,136	-12,030,928	-2,527,164	26.6
Reserves	6,946,802	19,033,000	19,033,000	12,086,198	174.0
Subtotal	374,364,390	428,478,973	408,612,119	34,247,729	9.1
Less Revenue Sharing and Anti-Recession Funds	-11,353,864	-6,506,244	-6,506,244	-(4,847,620)	(42.7)
Total	363,010,526	421,972,729	402,105,875	39,095,349	10.8

The economic expansion that began in 1975 continued through 1977 at a relatively fast pace. Both California and the nation are expected to experience moderate expansion in 1978 and 1979, although some forecasters are predicting a slowdown in the State's economic expansion through 1978 and into 1979.

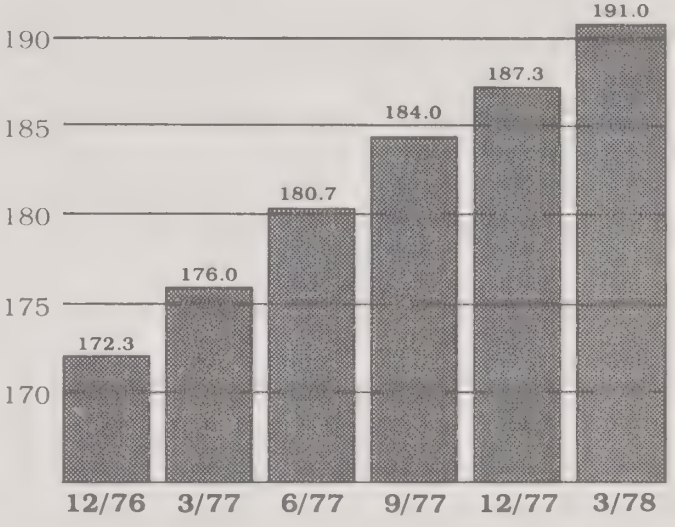
UNEMPLOYMENT

Unemployment in Alameda County has continued to decrease, paralleling reductions in the national and state unemployment levels. For example, between calendar years 1976 and 1977 the Alameda County average decreased from 9.8% to 8.5%, the State average from 9.2% to 8.2%, and the national average from 7.7% to 7.0%. National and State unemployment levels for 1978 have been projected at 6.7% and 7.4% respectively by the State Department of finance and the Employment Development Department.

The Alameda County unemployment rate (adjusted for seasonal variations) has finally dipped below the state-wide average for the last four months. While this trend is encouraging, it must be noted that an unemployment rate of 8.5% (the 1977 Alameda County average) corresponds to 42,649 unemployed people in Alameda County, and represents a serious social and economic problem for both these individuals and for the population of the entire County.

The following graph compares the unemployment rate of the County with that of California and the United States.

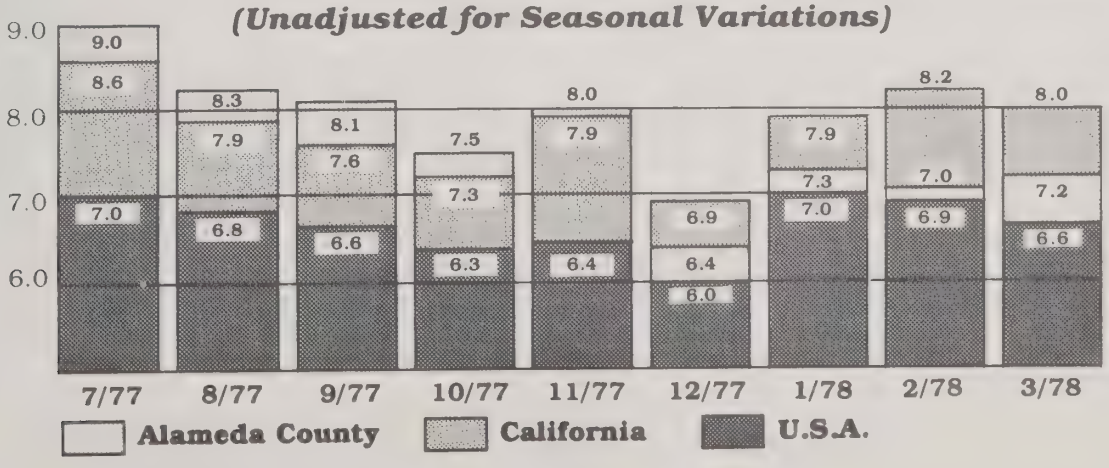
Bay Area Consumer Price Index
(Base Year 1967=100)



INFLATION

Inflation remains a problem in the current economic expansion. Just as inflation increases the costs of goods and services for individual consumers and businesses, it forces County costs upward. The Bay Area Consumer Price Index increased 8.7% in 1977. Many forecasters predict consumer prices to increase by about 6% to 6.5% nationally during the current year, which is a slight decline from the 6.8% national increase experienced during 1977. The following graph illustrates the increase in the Bay Area Consumer Price Index.

Unemployment
(Unadjusted for Seasonal Variations)



STATE AND FEDERAL IMPACT ON COUNTY BUDGET

INTRODUCTION

This section of the Budget Message is intended to illustrate the degree to which County property tax expenditures are related to State and Federal mandates and programs. The objective is to relate the current property tax crisis with the program and property tax costs associated with State and Federal influence over local government.

PROPERTY TAX CRISIS

The property tax relief crisis of 1977-78 has focused public attention on the local government property tax which is the basic source of financing services provided at the local level. On June 6, 1978, the voting public will be given a choice between two property tax relief measures which will determine the future of local government finances and services.

The Jarvis/Gann, Proposition 13, Initiative will severely restrict the ability of local government to raise property taxes and if this initiative passes, drastic service reductions will be required. The Behr property tax relief statute and Proposition 8 will also reduce the ability of local government to raise property taxes, but will replace the loss of revenue with state income tax surplus. The Behr statute places a revenue growth limitation on local government which may have a long-term effect on the ability of local government to meet service demands.

As illustrated in the discussion that follows, the current property tax crisis is directly related to State and Federal influence over County programs and expenditures.

STATE DETERMINES LOCAL REVENUE SOURCES

The local government property tax is a less equitable and more burdensome tax than the income tax which is the basic source of financing State and Federal Governments. The graduated income tax is based on the ability to pay while the property tax rises with increases in the market value of property. Over the past five years, rapid inflationary increases in housing costs have widened the gap between property values and the property taxpayers' ability to pay. In contrast, as inflation increases income, the income is taxed on a graduated Federal and State income tax scale according to the ability to pay. The end result of the inequity and burden of the local government property tax is the rising public discontent with property taxes. As public discontent with property taxes grows and financing local services from this source becomes more difficult, the State, through income tax sources, has accumulated a surplus of over $3 billion.

Local government has not chosen the property tax as its basic source of financing local programs. This source has been designed for local government by the State. The State has reserved for itself the more equitable and lucrative income tax while local government struggles to finance local services from property tax.

STATE DETERMINES LOCAL SERVICES

The County is a creation of the State. The State has mandated the County's existence as the primary provider of local services. Cities may elect to provide local services, but in the absence of an elective city incorporation, the County is mandated by the State to deliver all local services.

The County, more than any other level of government including City, State, and Federal, provides direct services to the public. The County is primarily responsible for all health, welfare and justice services provided to the public within its jurisdiction.

The services provided by the County are, to a very large degree, dictated by the State and Federal Governments. The health, welfare and justice services provided by the County are the direct result of State and Federal legislation, administrative regulations, judicial decisions and constitutions. The County may have some latitude in determining the level of service, but the County has no discretion in major programs to determine whether or not the service is to be provided. The State and Federal Governments serve as conduits for financing major programs, but public contact and service delivery are made exclusively by local government.

STATE IMPACTS PROPERTY TAX

The purpose of this section of the Budget Message is to illustrate that the Federal and State Governments exercise great control over the direction, services and financing of the County. The County, through State mandate, is dependent upon the inequitable and burdensome property tax as its basic source of financing programs. The State has determined the basic programs to be provided by the County and, in most instances, demands that local property tax revenues be allocated to these services.

The conclusion is that the basic direction of County government and its expenditure of property tax revenues is dependent upon the dictates of the State. This conclusion is supported by the following summary which shows the property tax impact of major programs which are the financial responsibility of the County by State determination:

STATE AND FEDERAL IMPACT ON COUNTY BUDGET

PROGRAM	PROPERTY TAX COST	PERCENTAGE OF COUNTY PROPERTY TAX
SUPPORT OF STATE PROGRAMS	**$32,340,592**	**20.0%**

The State requires the County to make a direct property tax contribution to two State programs: Medi-Cal and Supplemental State Aid for the aged, blind and disabled. A State-prescribed formula is used to determine the level of the County's contribution. The County has no direct financial or administrative control over these two State-selected obligations. The State's mandated contribution represents a State property tax levy.

The property tax cost of $32 million is based on the revenue growth formula provided in the Behr statute. If the proposition implementing this statute fails, an additional $1.5 million would be required to support this State-mandated cost utilizing the existing increase in assessed value formula. The use of the existing formula raises the property tax cost to approximately $34.0 million or 21% of the County's total property tax levy.

ECONOMIC ASSISTANCE **$31,698,526** **19.6%**

The State mandates that the County administer Federal and State welfare programs at the local level. The property tax cost represents the County's State-mandated 100% support of local general assistance and the County's State-mandated share of children's aid and social services. The County has some discretion in determining the level of general assistance payments and the staffing for children's aid, but the basic program and costs are required by State directive.

INDIGENT HEALTH CARE **$26,237,099** **16.2%**

Basic health care services for those persons who cannot afford to pay for medical care is a State-mandated County responsibility. The property tax cost includes:

- $17.0 million for the operation of the two County hospitals
- $4.5 million for primary care and clinic services
- $3.1 million for prisoner medical care
- $ .7 million for emergency medical services

Collectively, these costs represent the county's property tax share of providing acute and preventive health care to the County's indigent. The County has some flexibility in determining the level and quality of health care, but the basic County responsibility for the medically indigent is State mandated.

The property tax impact of indigent health care generally reflects the demand for service. The County is continuing efforts to reduce the cost of indigent medical care. Hospital revenue collection efforts are primarily responsible for a $3.3 million decrease in the property tax impact of the two County hospitals for 1978-79. The County is currently supporting State legislation which would qualify the County's prisoner population for Medi-Cal reimbursement and reduce the property tax impact of these medical services.

STATE AND FEDERAL IMPACT ON COUNTY BUDGET continued . . .

PROGRAM	PROPERTY TAX COST	PERCENTAGE OF COUNTY PROPERTY TAX
SUPPORT OF JUDICIAL SYSTEM	**$15,952,779**	**10.0%**

The State requires the County to support the Municipal and Superior Courts within Alameda County which are part of a Statewide judicial system. There are currently 64 judicial positions supported by the County: 32 in the Superior Court and 32 in the Municipal Courts.The property tax costs include:

- $4.2 million for the Superior Court
- $6.3 million for the Municipal Courts
- $4.3 million for bailiffs and marshals
- $ .9 million for the pre-trial release program.

The County has a degree of latitude in providing staff support for court services, but judicial positions and clerical support are determined in accordance with guidelines set forth by the State Judicial Council.

The State's support of Superior and Municipal Courts is limited to Superior Court judicial salaries and $60,000 for each additional Superior Court judgeship. It is estimated that the County's actual cost is $500,000 for a criminal division judgeship and $300,000 for a civil division judgeship.

TOTAL STATE MANDATE	**$106,228,996**	**65.6%**

The above summary illustrates the degree to which County property taxes are allocated to State programs or County programs which are mandated by the State. The County must exercise its discretion over the level and quality of services provided to insure that County-administered programs are run as effectively and efficiently as possible, but the State must also recognize its responsiblity for confining local government revenue to property taxes and then mandating the expenditure of these tax revenues on specified programs. Property tax relief could be achieved through State recognition and financing of any of the above programs which have a significant impact on the County's property tax levy.

The two property tax proposals that will appear on the June 6 ballot represent major property tax relief. *Unfortunately, neither of these proposals address the need for the Federal and State Governments to review health, welfare, and justice programs and make substantive program reforms that will achieve real economy for all levels of government.* The current property tax crisis is a mere symptom and the cause of the high cost of government is far beyond a reduction in the expenditure of local property tax dollars.

THE PROPERTY TAX DOLLAR

For convenience to the public and low-cost, efficient administration, the Treasurer-Tax Collector of Alameda County collects and the Auditor-Controller redistributes property taxes for most cities, for school districts and special districts, and for the County government. As a result, many citizens believe that the County is recieving all of their property tax dollar. In fact, the County receives less than one-fourth of the total property tax levy.

The distribution of the average property tax dollar among the various jurisdictions in Alameda County is as follows:

1977-78 Property Tax Distribution:

Total Property Taxes, 1977-78
$594,706,434

PROPERTY TAX RELIEF

The June 6, 1978, election offers the people of California three choices on property tax relief and on the financing and operation of local government. Two propositions offer widely different approaches to relief and financing. Proposition 8 triggers SB 1(Behr) to provide a 30% decrease in property taxes on owner-occupied residential property with the State making up the tax loss to local governments. This tax relief package also limits the growth in local government property tax revenue by an inflation factor plus the value of new construction. The effect would be to limit the increase for Alameda County to about 7.4% in 1978-79. The increase in the recommended budget is less than one-half of this limit. Another major feature of Proposition 8/SB 1 is the provision of a tax rate differential between owner-occupied property and all other property.

Proposition 13 (the Jarvis-Gann Initiative) limits property tax to 1% of full cash value of all property and thereby would cut Alameda County property taxes by about 70%. Without substantial amount of State assistance, County operations would be drastically curtailed and approximately 4,500 employees would be laid off.

The third alternative would be to reject both propositions and retain the status quo. In the unlikely event that the people of California opt for the status quo and reject both Propositions 8 and 13, Alameda County has its own property tax relief program in the policy of the Board of Supervisors to hold the property tax levy to an increase of no more than 5%.

In the preparation of the recommendations in this Budget Message we have complied with the Board's policy, with a tax levy increase of 3.3%. In the process of complying with that policy, we have also submitted a recommended budget that can be financed within the limitation of Proposition 8/SB 1 (Behr) which would have permitted an increase of approximately 7.4%

The 70% tax levy cuts if Proposition 13 passes have not been incorporated into an alternative budget recommendation for several reasons. First, substantially all of the property tax revenue available would be required to finance mandated Medi-Cal and Adult Aid payments to the State, plus contractual obligations to the Retirement System for buildings. Unrestricted revenue remaining would not be enough to sustain a viable level of County service or to provide the County match necessary to attract state and federal grant programs. If County services were to continue even at greatly reduced levels, substantial state assistance would be necessary. Until the timing, the nature, and the amount of assistance is known, it is impossible to construct a proposed budget.

Second, there are so many ambiguities included in the wording of Proposition 13 that it is not possible to know its full meaning until the courts and the various state administrative agencies have interpreted the language. Some interpretation of how personal property and state assessed property will be treated is necessary before the Assessor can re-establish the 1975-76 assessment base. Further interpretations will be necessary of the terms "purchased," "newly constructed," or "change in ownership," each of which are occasions for determining "full cash value" after the initial 1975-76 value has been determined, in order to update the values to the current year.

The third reason for not submitting a Proposition 13 alternative budget is that there is no way of knowing now how the 1% of full cash value tax that can be levied will be distributed to the various taxing agencies. There is currently no law on this subject nor has one yet been introduced in the legislature.

For these reasons the recommended budget is based on the Board's policy of limiting the tax levy to no more than 5%. In the event that Proposition 13 passes and goes into effect on July 1, 1978, the Board of Supervisors will have to make many hard decisions on program cutbacks and employee layoff.

SALARIES AND EMPLOYEE BENEFITS

The recommended budget includes $131,036,454 for salaries and employee benefits. This amount represents an increase of $1,224,492 over 1977-78, which is less than 1%. The recommended number of positions total 8,619, an increase of only 12.5 positions over the authorization for 1977-78.

Salaries and employee benefits now consume almost 33% of the entire recommended General Fund appropriation, and for every dollar that is spent on direct salaries, an additional 23¢ is required for benefits. Actually, the recommended appropriation for salaries of $105,020,335 is down nearly $600,000 from 1977-78, but costs for retirement benefits, social security and health and dental benefits increase the total requirements.

SALARIES AND WAGES

$105,020,335

The total requirements for salaries and wages will increase with the anticipated settlement in labor contracts, excluding the amounts that have already been appropriated in Enterprise Funds and Intragovernmental Services, by approximately $6 million. This amount is included in the recommended reserve.

RETIREMENT BENEFITS

13,243,380

With requirements for salaries and wages at approximately the same level for 1978-79 as 1977-78, retirement costs will increase by $625,000 with an unknown requirement anticipated from the actuarial study that will be completed in the next few weeks. Included in the recommended reserve is $3,263,000 as the employer's contribution to the anticipated adjustment in retirement rates.

SOCIAL SECURITY

A total of over $5 million, including an increase of $632,860, will be required under the newly established contribution rates of the federal program. As an employer, the County's contribution increases 14.2%, and equal increases are assumed by employees. Anticipated adjustments in salaries require an additional $354,000 to be designated for this purpose in the reserve.

HEALTH AND DENTAL BENEFITS

Requirements for this purpose will exceed $5.3 million in 1978-79, an increase of nearly 18% over the appropriation for 1977-78.

An additional appropriation of $1,176,000 has been included in the reserve because of the increased rates already announced by Kaiser, Blue Cross and anticipated by California Dental Service. Rates will increase from 5% to 25% for medical services and possibly 18% for dental services.

UNEMPLOYMENT INSURANCE

The newly mandated Unemployment Insurance Program for local government will cost this County nearly one-half million dollars for 1978-79 with substantial increases expected in future years. In 1978-79, the County's financial commitment to the program will be 25% of the total cost for the first quarter, increasing 25% each quarter thereafter until the program is 100% financed by local taxpayers.

COMMUNITY BASED CONTRACT SERVICES

In 1967-68, the County began contracting for services with community-based organizations. That year, four mental health contracts were authorized totaling $586,526. By 1972-73, there were 29 Mental Health and Social Service contracts totaling $1,304,699.

Between 1972-73 and 1977-78, the number of contracts increased from 29 to 428, largely because of allocating General Revenue Sharing and Concentrated Employment and Training Act (CETA) funds to community-based organizations.

The trend toward contracting for service was initiated by the Federal Government in 1972, with the passage of the General Revenue Sharing Act and a philosophical change in government that encouraged decentralization of services and power to decide what services were most desired by local citizens. Because of the rapid growth in the number of human service contracts and a number of associated problems, the County initiated the Community Contract Administration Study in January 1978. The goal of the Study is to improve contract administration and coordination by developing uniform policies and procedures and establishing uniform allocation and contractor selection policies. The Administrative Policies and Procedures Manual should be completed by the Fall of 1978.

The total amount recommended for community-based contract services in 1978-79 is $24,127,481, an increase of $239,587, or 1.0 percent, from the amount allowed in 1977-78, which was $23,887,894. The major changes and programs contributing to the recommended amount are as follows:

LAW AND JUSTICE $ 3,530,036

There are 53 contracts in the Law and Justice program area. Of the 53, 49 are supervised by the Probation Department, two by the Planning Department, and one each by the District Attorney and Sealer of Weights and Measures. The total amount recommended is $3,530,036, an increase of $766,432. The major reasons for the increase are a five percent increase for all contracts and annualizing several 1977-78 contracts that were for less than one year. The increase represents the amount recommended to continue a mandated program. The recommended amount of $3,530,036 is four percent of the total amount recommended for Law and Justice.

SOCIAL SERVICES $10,416,083

There are 256 contracts in the Social Services program area. All contracts are supervised by the Social Services Agency. The total amount estimated to be available for 1978-79 is $10,416,038, an increase of $383,051 over the $10,033,032 allocated to community-based programs in 1977-78. Part of the increase is expected to be an additional $178,953 in Older Americans Act funds for senior citizen contracts. The amount of Social Security Act, Title XX funds available for contract services in 1978-79 is an estimate. The exact anticipated amount for contract services will not be known until June 1978, after the State approves its budget. CETA funds are expected to maintain the same level or increase. Information regarding the exact amount will not be known until Congress adopts its 1978-79 budget in September 1978. The recommended amount of $10,078,592 represents 6.5 percent of the total Social Services recommended appropriation.

HEALTH CARE SERVICES $10,078,592

There are 116 contracts currently in the Health Services program area. All contracts are supervised by the Health Care Services Agency. The total recommended amount for 1978-79 is $10,078,592, a decrease of $909,896, or 8.3 percent, from the amount approved, $10,988,488, in 1977-78. Twenty-two contracts are recommended to be terminated. Of the 22, 16 are listed as Points of Issue in the recommended budget. The largest allocation of Health funds is for Mental Health services. The recommended amount, $5,304,968, is a reduction of $342,955 from last fiscal year's allocation of $5,647,923. Primary Care clinics account for a recommended budget of $1,678,989, which is a reduction of $250,000 from $1,928,989 approved in 1977-78.

Alcoholism and Public Health contract services are the only two services recommended for increases. The increase for recommended Alcoholism programs is $40,638, from $1,368,522 to $1,409,160. Proposed Public Health contracts represent an increase of $52,095, up from $251,654 to $303,749. The reduction of $409,674 in Drug Abuse contracts, from $1,791,400 to $1,381,726, represents transferring the Drug Education program, $264,791 to the Superintendent of Schools' tax rate and the proposed termination of the New Bridge and Narcotics Education League contracts totaling $238,985 and an increase of $94,102 for other contractors. The recommended health contract services amount of $10,078,592 represents 11.9 percent of the total amount proposed for Health Services.

RECREATION $102,770

The recommended amount of $102,770 represents General Revenue Sharing funds for four recreation contractors. No other sources of revenue from this service area are allocated to contractors. The amount recommended is the same amount approved for recreation contracts in 1977-78. The County devotes a very small share of its total budget for recreation because the service is primarily provided by the cities or special districts.

Community contracts are referenced and further discussed in each of the major program sections of the Budget Message.

POLICY MATTERS
1978-79 BUDGET

(FUNDS INCLUDED)

Office of Program Evaluation	
• Office of Program Evaluation (p. 104)	$ 358,901
County Administrator	
• OCJP Funding (p. 121)	45,742
Personnel	
• Additional Position for Training Function (p.112)	39,899
Advertising County Resources	
• Advertising Budget (p.120)	288,507
Auditor-Controller	
• County Contribution to Retirees' Benefits (p.121)	35,000
Sheriff	
• Level of Correctional Services Program (p.247)	577,090
• Project 911 Emergency Telephone Service (p.120)	208,898
Probation Department	
• Out-of-County Placement Costs (p.236)	19,704
• Intensive Supervision Program (p.236)	32,073
Social Services	
• Title XX Funding—Human Services Department (p.319)	351,035
• Additional Secretary—Department on Aging (p.320)	17,439
• Annual Adjustment—General Assistance Program (p.323)	207,756
• BHI Budget (p.324)	294,812
Health Care Services	
• Overmatch—Alcoholism and Drug Abuse Programs (p.430)	535,151
• Overmatch—Mental Health Programs (p.434)	1,455,538
• Training and Continuing Education—Mental Health (p.434)	416,534
• Prevocational Training Program—Mental Health (p.435)	152,000
• Expansion of Primary Care Services (p.438)	500,000
• Hospital Management—Highland (p.446)	600,000
• Hospital Management—Fairmont (p.446)	100,000
General Revenue Sharing	
• Social Services Title XX Match (p.708)	1,795,466
• Continuation of Funding for Five Deinstitutionalization of Status Offender Contracts (p.707)	311,069
Total General Fund	**$8,342,614**
Information Services Department (IGS Fund)	
• Contingent Funding for Development (p.809)	1,000,000
Total, Other Funds	**$1,000,000**

POINTS OF ISSUE, 1978-79 BUDGET

(Funds Not Included)

Office of Program Evaluation	
• OCJP Evaluations — One Management Specialist (p.105)	$ 25,000
County Administrator	
• Level of Support — Human Services Council (p.106)	88,116
• NTL Internship in Human Resources Utilization —Equal Opportunity Office (p. 105)	4,500
Personnel	
• Employee Assistance Program (p.112)	39,950
• Employee Benefits Statement (p.112)	25,000
• Typing Tests (p.112)	2,500
Registrar of Voters	
• Fee for Voter Registration (p.118)	8,125
Sheriff	
• Organized Crime Unit (p.211)	207,790
• Two Additional Fire Wardens (p.212)	52,988
• Animal Control Refrigerator (p.212)	10,118
• U.S. Fish and Wildlife Contract (p.212)	13,917
• County Funding of Re-Entry Grant (p.247)	93,434
• Additional Job Developer (p.247)	32,792
• Higher Level of 911 Staffing (p.122)	121,932
• Clerks for ETS Business Calls (p.122)	38,298
Probation	
• Continuation of Supervised Own Recognizance (OR) Program (p.214)	252,691
• Workload Increases in Follow-Up Unit, Supervised OR Program (p.214)	107,942
• Additional Staff for Delinquency Prevention Commission (p.236)	101,430
• Additional Superior Court Officer (p.237)	25,210
• Two Clerks for SB 42 (p.237)	25,532
• Maintaining Adult Probation 1977-78 Yardstick (p.237)	242,878
• Maintaining Juvenile Probation 1977-78 Yardstick (p.238)	452,039
• Ex-Offenders Skills Bank (p.238)	77,880
• Project Eden Short-Term Facility (p.239)	20,970
• Miscellaneous Community Appeals (p.239)	Unknown

POINTS OF ISSUE, 1978-79 BUDGET continued . . .

Superior Court	
• Three Additional Superior Courts (p.218)	1,229,052
County Clerk	
• Additional Staffing — Civil Process, Public Service (p.218)	15,123
• Additional Staffing — Civil Process, Juvenile Service (p.219)	13,300
• Additional Staffing — Criminal Division (p.219)	27,870
• Additional Staffing — Juvenile Process (p.219)	13,470
• Additional Staffing — Courtroom Services (p.220)	75,558
• Additional Staffing — Administrative Services (p.220)	35,515
CORPUS	
• Level of Funding (p. 221)	155,828
Oakland Piedmont Municipal Court	
• Additional Staffing (p.222)	54,178
• Classification of Weights in Weighted Caseload (p.222)	24,904
Office of Court Services	
• Copier Expense (p.222)	10,000
District Attorney	
• Victim/Witness Program (p.230)	101,800
Public Defender	
• Additional Staffing, Attorneys (p.230)	318,887
• Training Officer Secretary (p.231)	15,069
• Student Legal Assistant (p.231)	11,720
• Crossroads (p.232)	79,710
• Stenographic Support for Attorneys (p.232)	57,547
• Administrative Clerical Support — Hayward (p.232)	12,653
• Fremont Office (p.232)	42,246
• Clerical Support for Witness Coordination (p.232)	12,653
Agriculture Commissioner	
• Chief Assistant Agricultural Commissioner Position (p.249)	28,279

POINTS OF ISSUE, 1978-79 BUDGET continued . . .

Social Services	
• Training Funds—Management Serivces (p. 316)	2,845
• Veterans I&R Services—Human Services Department (p.320)	99,762
• Change in I&R Services—Human Services Department (p. 321)	1,987
• 24-Hour Protective Service Worker—Human Services Department (p. 321)	14,484
• Relief Workers—Economic Benefits (p. 325)	66,263
• AFDC Caseload Issue—Economic Benefits (p. 326)	11,035
• General Assistance Screeners—Economic Benefits (p. 326)	44,140
Health Care Services Agency	
• Developmental Disabilities (p.427)	39,312
• Information and Referral (p.427)	21,313
• General Funds to Support a Drug Contract (p.430)	50,472
• Dependency Unit (p.435)	138,306
Total, General Fund	**4,896,313**
Information Services Department (DPC)	
• Level of Development Funding (p.811)	3,895,475
Castro Valley Fire District	
• Fixed Assets Reserve, Tax Rate Limitations (p.826)	28,639
Eden Consolidated Fire District	
• Fixed Assets Reserve, Tax Rate Limitations (p.826)	31,165
Flood Control	
• Zone 13, Increase in Tax Rate (p.829)	52,900
County Library	
• Senior Outreach Program (p.804)	35,053
• Addition of Position at Pleasanton Library (p.804)	8,596
• Addition of Position at Newark Library (p.805)	8,596
• Addition of Position at Union City Library (p.805)	4,039
Total, Other Funds	**4,064,463**